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...osperous Relics

...wo Ancient Insurers ... Philadelphia Flourish ...espite Relaxed Ways

...erpetual' Fire Protection Firms Earn Rich Return; ...oards Dine by Candlelight

...ticking to Brick and Stone

...LYNN MAPES
Staff Re... of THE WALL STREET JOURNAL

PHILADELPHIA—How to succeed in the ... insurance business without really trying: ...ffer an outmoded form of coverage. Adver... ...it as little as possible and don't exert yourself seeking new business. Throw elegant dinner parties for your directors ... month. And keep the company wine c... ...cked.

Maybe that's the wro... ... about things. But it works for two small but venerable outfits here: The Philadelphia Contributionship for the Insurance of Houses From Loss by Fire, founded by Ben Franklin in 1752, and its long-time rival Mutual Assurance Co. for Insuring Ho... From Loss by Fire, founded in 1784. The nation' oldest insurance concerns, they con...ue to grow richer each year, piling up fat surpluses that larger insurers regard with av...

T... ...ock-in-trade is "perpetual" fire protection ... of the insurance industry bu... ...days only an anachronism. For a lar... ...mp-sum premium—usually of several hu... ...ollars—the companies agree to insu... ...operty for as long as title remains in th... ...holder's family. In turn, they invest the ... um and use the income to offset co...

Payi... ...vidends

Sp... over two centuries of doing business, howev... income from these invested premium... has far exceeded costs. Today, the crusty old firms live handsomely off their accumu... ...ed wealth—and pay dividends to policyhol... ...rs as well.

Other insurers often scoff at the pair. "They're relics of the past blessed with the accident of being rich," sniffs H. Richard Heilman, president of Insurance Co. of North America. "Those big surpluses should be better utilized."

But such advice falls on deaf ears. "We're like wealthy widows—everybody loves to tell us how to spend our money," H. Gates Lloyd, chairman of the Contributionship, observed mildly.

There's no denying their financial strength. For example, last year the Contributionship, with $120.5 million of insurance in force, shelled out a mere $110,000 for losses. Net income topped $865,000, while year-end assets exceeded $35 million—an unusually high figure relative to the insurance in force (over half the assets are in common stocks). The balance sheet of Mutual Assurance, which has slightly larger assets, is equally impressive.

The companies concentrate on insuring dwellings, many of which are located in Philadelphia's historic Society Hill section of Colonial homes. Commercial buildings are looked on askance, although a few large charitable institutions are covered.

Protests From Tree Lovers

In its early days, the Contributionship flatly refused to insure houses located near trees; branches would impede the flow of water from the feeble fire pumps of the day, it insisted. Irate tree lovers formed Mutual Assurance to accept such risks, and a few years later the Contributionship dropped its prejudice against trees. Even today, Mutual Assurance is known informally as the Green Tree Co. for the leafy oak it adopted as its symbol.

Both firms resent the widespread belief that they actively discourage new business. "People say we only write fire insurance on stone quarries full of water—I get tired of hearing that," complains the Contributionship's Mr. Lloyd, a prominent investment banker. He concedes, however, that the companies prefer to protect "brick or stone houses with slate roofs less than 600 feet from a fire plug."

Throughout their long lives, the two insurers have been remarkably immune from criticism. One shattering exception was what's referred to as "the raid of 1894." Some policyholders charged the Contributionship was only interested in avoiding risks, maintaining assets and keeping its directors content. The attitude of the board, the dissidents declared, was "that of a mouse snugly ensconced in a rich old cheese." However, the old guard was overwhelmingly upheld in a special election.

Nor do state regulatory agencies give the firms much trouble. In fact, Mutual Assurance isn't subject to Pennsylvania insurance laws at all. The reason: The firm's charter predates the state's constitution. Hence, under a grandfather's clause, it's immune from regulation. (The Contributionship isn't as fortunate; unlike its competitor, it has amended its charter in recent years and thus is subject to state insurance laws.)

A Frosty Letter

Pennsylvania's Insurance Commissioner David Q. Maxwell says he's not worried about Mutual Assurance being beyond his bailiwick. "The company is of unimpeachable integrity, and it generally complies with our rules anyway," he says. Nonetheless, he recalls that about 10 years ago, his office questioned a minor item in the firm's annual report. "The company sent us back a frosty letter saying it filed the reports with us only as a courtesy. It threatened to stop sending them altogether unless we agreed not to question them—so we agreed," Mr. Maxwell says with a sigh.

Both insurers are widely respected for excellent, if conservative, management. To a man, their directors are influential pillars of Philadelphia's business and professional circles. Comments Insurance Comissioner Maxwell: "To sit on those boards is to have arrived."

One afternoon ... month, directors gather a... the offices of the two companies, which are lo... cated in handsome red brick townhouses a few doors from one another near Independence Hall. Following work session... of an hour or so, board members ... ...ourn ups... ... for cocktails and tastefully catered candle... ...ht dinners. A sampling of a recent Contribu...onship dinner: Oysters, green turtle soup an... filet of beef with wine offerings of sherry, ... wine, claret, champagne, brandy and Madeira.

Mutual Assurance adds a historical note to its affairs. Following the meal, the chairman calls out, "Gentlemen, are you charged?" Glasses are filled, or "charged," with Madeira and the company is toasted. After a suitable pause comes a second toast, "To the memory of Washington"—a traditi... since 1799 when a messenger interrupted a di... ...tors dinner with news of the first President's de...

Both firms have maintained w...e cellars in their basements for years. Mutual Assurance is noted for having t... more extensive wine list, although it suffered a setback last year when several bottles of an 186... ...deira soured and had to be thrown ...t. "... was a real tragedy," says Daniel Wh... , assistant treasurer, who keeps the cella... ...stocked.

In line with their cautio...s approach to new business, directors of bo... companies insist upon keeping advertising to a modest scale, usually occasional newspaper a... or spot radio announcements. Coverage is limi...d to the city and a few suburban counties in Pennsylvania. "Why should we expand? We're better off sticking to our knitting," explains Mutual Assurance Chairman James E. Gowen, a retired banking executive.

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